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Message Text

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PAGE 01 SANTO 01540 011214Z
ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 AGRE-00 ITC-01
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TO SECSTATE WASHDC 167
INFO AMEMBASSY LONDON
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E.O. 11652: N/A
TAGS: EAGR, ETRD, EPAP, DR
SUGAR: FOREIGN OFFICE COMMUNICATES DOMINICAN POSITION ON
INTERNATIONAL SUGAR AGREEMENT

1. BY A THIRD PERSON NOTE DATED MARCH 30 THE SECRETARIAT OF FOREIGN
RELATIONS COMMUNICATED TO THE EMBASSY THE GODR POSITION ON THE CREATI
ON
OF AN INTERNATIONAL SUGAR AGREEMENT (ISA). THENOTE ASKED THAT THE
POSITION BE TRANMITTED TO WASHINGTON. INCLUDED WITH THE NOTE WAS THE
DOMINICAN UNOFFICIAL TRANSLATION INTO ENGLISH OF THE POSITION IT
ATTACHED WITH ITS NOTE. THIS ENGLISH TRANSLATION READS AS FOLLOWS:
QUOTE THE POSITION OF THE DOMINICAN REPUBLIC IN RELATION TO THE IDEAS
THAT HAVE BEEN PROPOSED AS A BASIS FOR NEGOTIATION OF A NEW INTERNATI
ONAL
SUGAR AGREEMENT, OR, INDEED, WITH REGARD TO ANY SCHEME SEEKING TO
STABILIZE WORLD COMMERCE IN SUGAR THROUGH INTERNATIONAL COOPERATION
THAT WOULD REQUIRE AN UNDERTAKING FROM THE DOMINICAN GOVERNMENT
AFFECTING THE NATION'S ECONOMY AND FINANCES, IS PREDICATED ON THE
FOLLOWING FUNDAMENTAL PRINCIPLES:

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PAGE 02 SANTO 01540 011214Z

(1) IT SHOULD BE REASONABLY CERTAIN THAT THE AGREEMENT WILL
BE EFFECTIVE IN PROVIDING BENEFITS TO THE DOMINICAN REPUBLIC THAT
OUTWEIGH THE BURDEN WHICH THE NATION WOULD BE CALLED UPON TO BEAR
AS A RESULT OF THE OBLIGATIONS ASSUMED AS A CONTRACTING PARTY, AND

(2) THE WEIGHT OF THESE OBLIGATIONS MEASURED ON THE OVERALL SUGAR
ECONOMY OF EACH OF THE CONTRACTING PARTIES SHOULD BE PROPORTIONATELY

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

EQUAL. IN ADDITION, SPECIAL CONSIDERATION SHOULD BE GIVEN TO UNDER-DEVELOPED NATIONS THAT ARE HIGHLY DEPENDENT ON SUGAR EXPORTS FOR FOREIGN EXCHANGE INCOME OR THAT NEED TO IMPORT A LARGE PROPORTION OF THEIR SUGAR REQUIREMENTS.

2. QUOTE: THE FIRST OF THE ABOVE MENTIONED PRINCIPLES OBEYS OBVIOUS CONSIDERATIONS OF SELF-INTEREST. THE SECOND, HOWEVER, DOES NOT SOELY RESPOND TO THE NOTIONS OF EQUITY THAT SHOULD GOVERN INTERNATIONAL RELATIONS, BUT ALSO BEARS ON THE MATTER OF THE EFFECTIVENESS OF THE AGREEMENT.

3. QUOTE PERHAPS IT SHOULD BE RECOGNIZED, FROM THE OUTSET, THAT NO SCHEME CAN BE COMPLETELY EFFECTIVE IN BRINGING AND KEEPING GLOBAL SUPPLY AND DEMAND IN PERFECT BALANCE, WHILE SUSTAINING PRICES WITHIN AN ARTIFICIALLY SELECTED NARROW PRICE BANK, EVEN ONE THAT WERE TO EXERCISE CONTROL DIRECTLY OVER PRODUCTION. A MECHANISM, THEN, THAT LIMITS ITS SCOPE OF ACTION TO FREE-MARKET SUPPLIES MANIFESTLY INVOLVES A DEFICIENCY. THIS DEFICIENY, IN TURN, WOULD BE FURTHER AGGRAVATED IF ANY MAJOR PRODUCING AREA, WHETHER A NET EXPORTER OR IMPORTER, ABSTAINED FROM EFFECTIVELY PARTICIPATING IN THE AGREEMENT. IN
THIS RESPECT, EFFECTIVE PARTICIPATION ON THE PART OF IMPORTING COUNTRIES, IN SUPPORT OF THE OBJECTIVES OF THE AGREEMENT, WOULD NATURALLY ENTAIL A COMMITMENT TO RESTRAIN INTERNAL PRODUCTION WHEN EXPORT QUOTAS, OR WHATEVER OTHER PRICE DEFENSE MECHANISMS THAT ARE ADOPTED, BECOME OPERABLE.

4. QUOTE THE EFFECTIVE STABILIZATION OF THE FREE-MARKET CANNOT BE VIEWED REALISTICALLY AS AN INDEPENDENT OBJECTIVE, OUT OF CONTEXT
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OF THE LARGER WORLD SUPPLY/DEMAND PICTURE. INDEED, THE GREAT VOLATILITY THAT NATURALLY CHARACTERIZES THE FREE-MARKET IS, IN VERY LARG MEASURE, THE DIRECT RESULT OF INSTRUMENTS OF NATIONAL POLICY THAT EXTEND CONDITIONS TO NATIONAL SUGAR ECONOMIES THAT ALLOW THEM TO PROVIDE FOR THE GREAT MAJORITY OF THE WORLD'S SUGAR NEEDS. THEREFORE, THE IMPACT OF THE PROVISIONS OF THE AGREEMENT ON THESE NATIONAL SUGAR ECONOMIES, WITH A VIEW TO ESTABLISHING INCENTIVES AND RESTRAINTS THAT ARE BALANCED AMONG THE CONTRACTING PARTIES, HAS A PARTICULAR BEARING ON THE EFFECTIVENESS OF THOSE PROVISIONS IN ACHIEVING THE OBJECTIVES OF THE AGREEMENT.

5. QUOTE WE CITE TWO EXAMPLES TO ILLUSTRATE THIS POINT:

1. THE CAPACITY TO MARGIN PRICE ON THE SURPLUS PRODUCTION ALLOWED FOR EXPORT UNDER A QUOTA SYSTEM FOR PRODUCERS THAT RELY PRINCIPALLY ON DOMESTIC MARKETS, EXPORT SUBSIDIES AND/OR SPECIAL TRADING ARRANGEMENTS, IS NOT MATERIALLY IMPAIRED BY QUOTA CUTS -- UNLESS THESE ARE PROPORTIONATELY HIGH. THE CONVERSE IS TRUEFOR PRODUCERS THAT DEPEND PRIMARILY ON THE FREE-MARKET. IN OTHER WORDS, A SUBSTANTIAL

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

QUANTITY OF HIGHLY INELASTIC SUPPLIES WOULD STILL BE FORTHCOMING
UNDER AN EXPORT QUOTA SCHEME, UNLESS THE APPPORTIONMENT OF QUOTA
REDUCTIONS TOOK THIS FACTOR INTO ACCOUNT.

2. IN AN ARRANGEMENT BASED ON AN INTERNATIONA INTERVENTION STOCK,
WHICH PLACES NO DIRECT LIMITATIONS ON PRODUCTION AND
EXPORTS, THE RESTRAING IMPLICIT IN THE BURDEN OF SUSTAINING
THE STOCK WOULD BE INSIGNIFICANT FOR PRODUCING AREAS WITH LARGE
DOMESTIC MARKETS UNLESS THE OBLIGATION OF CONTRIBUTING TO ITS
MAINTENANCE WERE DISTRIBUTED IN PROPORTION TO TOTAL PRODUCTION
RATHER THAN TO FREE-MARKET EXPORTS.

6. LASTLY, IN REGARD TO THE MOTION OF SPECIAL CONSIDERATION
FOR COUNTRIES WITH UNDER-DEVELOPED ECONOMIES, THE DOMINICAN
GOVERNMENT CONSIDERS THAT ANY INTERNATIONAL COMMODITY AGREEMENT,
BESIDES ITS OBVIOUS INTENTION OF STABILIZING MARKETS IN THE
INTEREST OF BOTH EXPORTES AND IMPORTERS, SHOULD BE AN EFFECTIVE
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INSTRUMENT FOR THE TRANSFERENCE OF WEALTH TO THE UNDER-
DEVELOPED ECONOMIES THAT MUST, OF NECESSITY, RELY STRONGLY FOR
THEIR ADVANCEMENT ON THE PRODUCTION OF SURPLUSES OR THE IMPORTATION
OF DEFICITS OF THESE COMMODITIES.

7. QUOTE: WITH THESE CONSIDERATIONS IN MIND IT IS THE VIEW OF THE
DOMINICAN GOVERNMENT THAT AN INTERNATIONAL SUGAR AGREEMENT
SHOULD:

1. BE BASED PRIMARILY ON A QUOTA SYSTEM RATHER THAN AN INTER-
VENTION STOCK AGREEMENT, BECAUSE THE FORMER AFFORDS GREATER
ASSURANCES OF EVENTUALLY ACHIEVING MARKET EQUILIBRIUM.

2. INCORPORATE PROVISIONS WHEREBY ACCESS TO THE INTERNAL
MARKETS OF DEVELOPED IMPORTING NATIONS IS SECURED IN FAVOR
O EXPORTERS, PARTICULARLY WHEN EXPORTERS ARE OBLIGED TO
PRACTICE RESTRAINT ON THEIR SUPPLIES.

3. PROVIDE FOR A SHARINGOF THE BURDEN OF SUPPLY REDUCTIONS
THAT TAKES INTO CONSIDERATION THE OVERALL SUGAR ECONOMY OF EACH
OF THE CONTRACTING PARTIES.

4. ADOPT AS A PRICE OBJECTIVE A RANGE WHEREIN MEDIANLY
EFFICIENT PRODUCERS WILL OBTAIN AN ADEQUATE RETURN AND,
THEREBY, BE IN CONDITION TO PROVIDE FOR FUTURE GROWTH IN
WORLD DEMAND.

5. REFLECT THE REALITIES OF WORLD-WIDE INFLATION, SO THAT THE
PRICE OBJECTIVES DOES NOT GET OUT OF LINE WITH THE
COST OF THE IMPUTS UTILIZED IN SUGAR PRODUCTION, INCLUDING
THE EFFECTS OF THE COST OF LIVING ON THE REMUNERATION OF

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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LABOR. IN THIS RESPECT, AN INDEXING ARRANGEMENT THAT DISCOUNTED THE RECIPROCAL IMPACT OF ESCALATED SUGAR PRICE OBJECTIVES ON THE COST OF GOODS AND SERVICES PRODUCED BY THE DEVELOPED IMPORTING NATIONS, WOULD BE ACCEPTABLE.

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6. PROVIDE FOR THE CREATION OF ADEQUATE RESERVES TO SAFEGUARD DEMAND AGAINST FUTURE CROP FAILURES, TO WHICH BOTH EXPORTERS AND IMPORTERS SHOULD CONTRIBUTE IN FAIR PROPORTION. UNQUOTE.
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22 May 2009
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